

**DC Chartered Health Plan, Inc.'s  
2011 Audited Financial Statement**

**Statement by Deputy Rehabilitator Daniel L. Watkins, Jan. 11, 2013**

DC Chartered Health Plan, Inc. has filed its independently audited December 31, 2011 statutory financial statement of admitted assets, liabilities and capital and surplus with the Department of Insurance, Securities and Banking (DISB). Brown Smith Wallace LLC performed the audit. Chartered previously submitted unaudited 2011 financial statements to DISB in April 2012.

The auditor's report shows Chartered experienced an operating loss of \$9.4 million in 2011 and ended the year with \$5.9 million in capital and surplus. The audited financial results are somewhat stronger than reported in April 2012 due to the inclusion of a \$20 million retrospective premium receivable as an asset which had not been previously recorded. \$20 million represents the estimated value of the company's receivable for the premium claim at December 31, 2011. The claim, filed with the District's Contract Appeals Board, is primarily driven by HIV pharmacy costs over and above Chartered's contracted rates with the District.

The audit report also addressed some related party balances which were determined to not qualify as assets that may be included in Chartered's financial statement under statutory accounting rules:

- \$1,027,504 in transactions with the Chartered Family Health Center (CFHC) for which the auditors found inadequate supporting documentation;
- \$2,828,018 in federal income tax refunds due Chartered from DC Health Systems, Inc. (DCHSI), Chartered's parent holding company.

Chartered has demanded payment from DCHSI for the income tax refunds due and that the transactions with CFHC be appropriately documented or reimbursed to Chartered.

Other significant adjustments to Chartered's restated 2011 financials include:

- Reductions of \$2.2 million in premium income and \$2.9 million in healthcare recoverables previously booked as assets;
- An increase of \$5 million in claims liabilities based on claim trends and actual cost analysis in 2012. This claims liability adjustment also caused a \$500,000 increase in claim adjustment expense liability.

The audit noted that Chartered has entered into a non-binding Letter of Intent on December 1, 2012 for sale of certain assets to a third-party. A copy of the Independent Auditor's Report is available on DISB's website located at [disb.dc.gov/chartered](http://disb.dc.gov/chartered).